



General Assembly

January Session, 2007

**Amendment**

LCO No. 7116

**\*HB0705607116HDO\***

Offered by:  
REP. CLEMONS, 124<sup>th</sup> Dist.

To: Subst. House Bill No. 7056

File No. 49

Cal. No. 82

**"AN ACT INCREASING THE FINANCIAL RESPONSIBILITY LIMITS  
FOR MOTOR VEHICLE OPERATORS."**

1 After the last section, add the following and renumber sections and  
2 internal references accordingly:

3 "Sec. 501. Section 38a-686 of the general statutes is repealed and the  
4 following is substituted in lieu thereof (*Effective October 1, 2007*):

5 The following standards, methods and criteria shall apply to the  
6 making and use of rates pertaining to personal risk insurance:

7 (a) Rates shall not be excessive, inadequate or unfairly  
8 discriminatory.

9 (1) A rate in a competitive market is not excessive. A rate in a  
10 noncompetitive market including a rate for insurance provided  
11 pursuant to sections 38a-328, 38a-329 and 38a-670 is excessive if it is  
12 unreasonably high for the insurance provided.

13 (2) No rate shall be held inadequate unless (A) it is unreasonably

14 low for the insurance provided, and (B) continued use of it would  
15 endanger solvency of the insurer, or unless (C) such rate is  
16 unreasonably low for the insurance provided and the use of such rate  
17 by the insurer using same has, or, if continued will have, the effect of  
18 destroying competition or creating a monopoly.

19 (b) In determining whether rates comply with the excessiveness  
20 standard in a noncompetitive market under subdivision (1) of  
21 subsection (a) of this section, the inadequacy standard under  
22 subdivision (2) of subsection (a) of this section and the requirement  
23 that rates not be unfairly discriminatory, the following criteria shall  
24 apply:

25 (1) Consideration may be given, to the extent possible, to past and  
26 prospective loss experience within and outside this state, to  
27 conflagration and catastrophe hazards, to a reasonable margin for  
28 underwriting profit and contingencies, to past and prospective  
29 expenses both country-wide and those specially applicable to this  
30 state, to investment income earned or realized by insurers both from  
31 their unearned premium and loss reserve funds, and to all other  
32 factors, including judgment factors, deemed relevant within and  
33 outside this state and in the case of fire insurance rates, consideration  
34 may be given to the experience of the fire insurance business during  
35 the most recent five-year period for which such experience is available.  
36 Consideration may be given in the making and use of rates to  
37 dividends, savings or unabsorbed premium deposits allowed or  
38 returned by insurers to their policyholders, members or subscribers.

39 (2) The systems of expense provisions included in the rates for use  
40 by an insurer or group of insurers may differ from those of other  
41 insurers or groups of insurers to reflect the operating methods of any  
42 such insurer or group with respect to any kind of insurance, or with  
43 respect to any subdivision or combination thereof.

44 (3) Risks may be grouped by classifications for the establishment of  
45 rates and minimum premiums, provided that with respect to private

46 passenger nonfleet automobile insurance, any change in territorial  
47 classifications shall be subject to prior approval by the Insurance  
48 Commissioner, and provided no surcharge on any motor vehicle  
49 liability or physical damage insurance premium may be assigned for  
50 (A) any accident involving only property damage of one thousand  
51 dollars or less, or (B) the first accident involving only property damage  
52 of more than one thousand dollars which would otherwise result in a  
53 surcharge to the policy of the insured, within the experience period set  
54 forth in the insurer's safe driver classification plan, or (C) any violation  
55 of section 14-219 unless such violation results in the suspension or  
56 revocation of the operator's license under section 14-111b, or (D) less  
57 than three violations of section 14-218a within any one-year period, or  
58 (E) any accident caused by an operator other than the named insured,  
59 a relative residing in the named insured's household, or a person who  
60 customarily operates the insured vehicle, or (F) the first or second  
61 accident within the current experience period in relation to which the  
62 insured was not convicted of a moving traffic violation and was not at  
63 fault, or (G) any motor vehicle infraction. Subparagraph (G) of this  
64 subdivision shall not be applicable to any plan established pursuant to  
65 section 38a-329. Classification rates may be modified to produce rates  
66 for individual risks in accordance with rating plans which provide for  
67 recognition of variations in hazards or expense provisions or both.  
68 Such rating plans may include application of the judgment of the  
69 insurer and may measure any differences among risks that can be  
70 demonstrated to have a probable effect upon losses or expenses.

71 (4) Each rating plan for private passenger nonfleet automobile  
72 insurance that includes territorial classifications shall assign a weight  
73 of fifty per cent each to individual territorial loss cost data and to the  
74 state-wide average loss cost data.

75 [(4)] (5) Each rating plan shall establish appropriate eligibility  
76 criteria for determining significant risks which are to qualify under the  
77 plan. Rating plans which comply with the provisions of this  
78 subdivision shall be deemed to produce rates which are not unfairly  
79 discriminatory.

80 (c) Notwithstanding the provisions of subsections (a) and (b) of this  
81 section, no rate shall include any adjustment designed to recover  
82 underwriting or operating losses incurred out-of-state.

83 (d) The commissioner may adopt regulations, in accordance with  
84 the provisions of chapter 54, concerning rating plans to effectuate the  
85 provisions of this section."